FDIC State Profile

Winter 2004

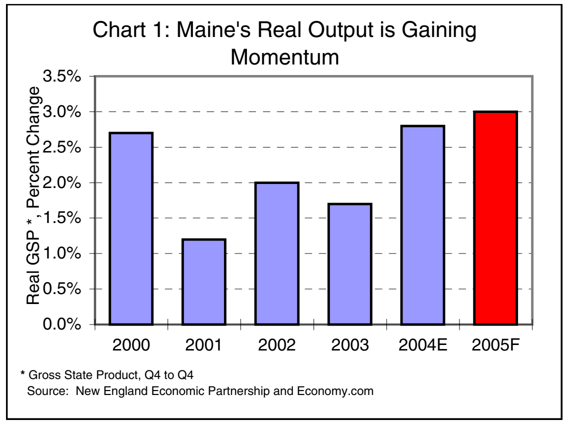
Maine

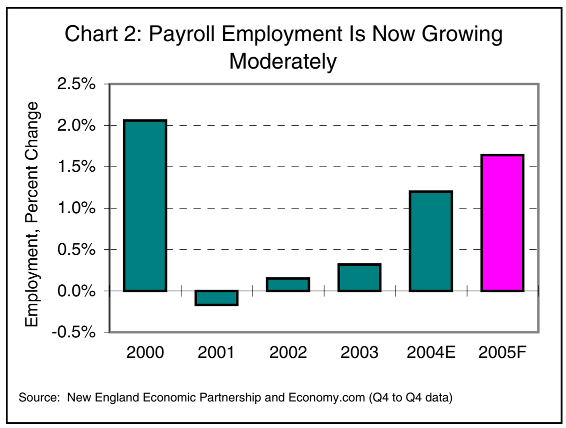
National real gross domestic product (GDP) is forecasted to moderate in 2005.

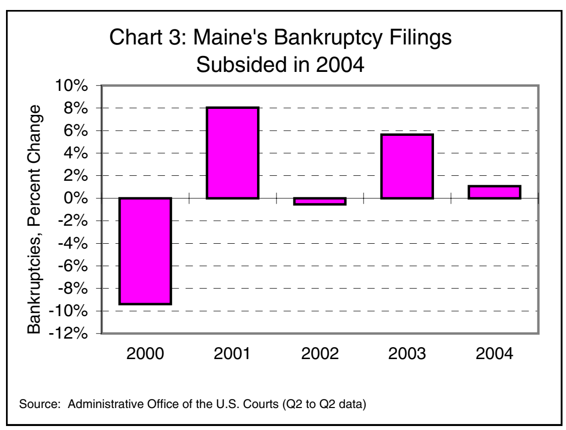
- National real GDP during 2004 is currently forecasted by Economy.com to grow about 4.0 percent when measured from fourth quarter 2003 to fourth quarter 2004. This would be slightly below the 4.4 percent growth posted for 2003, but well ahead of the 2.3 percent growth in 2002 and the 0.2 percent growth experienced during the recession year of 2001.
- Consensus forecasts project 2005 real GDP growth to moderate to about 3.0 percent when measured on this basis

Maine, along with other states in New England, benefited from growth in the national economy during 2004. The 2005 forecast expects growth to continue.

- Growth in gross state product for Maine is estimated to continue to expand at or near the 3.0 percent level, the strongest growth rate in the past five years, according to a regional growth forecast prepared by the New England Economic Partnership (See Chart 1).
- Payroll employment growth will likely continue accelerating through next year (See Chart 2). Employment growth has lagged the turnaround in output, as it generally does, because businesses are reluctant to hire during the initial phases of an economic recovery. Both labor demand and the rate of employment growth should improve
- Due to large capital investment requirements of many key industries in New England, the lag in job growth has been more pronounced here. In addition, slow labor force growth and relatively high costs of doing business have also contributed to a more muted employment growth relative to the national average.
- In Maine, economic improvement is likely to occur as the manufacturing base stabilizes and other areas—principally health and business services—grow more rapidly. Maine trails other areas in New England in high tech performance, but is gradually narrowing the gap.







Better economic times in Maine imply fewer bankruptcies.

- The lack of payroll growth during the years 2001-2003 contributed to the rise in personal bankruptcies that peaked in 2003 (See Chart 3).

- The acceleration in payroll employment growth this year and expectations for next year suggests bankruptcies are likely to decline. The small increase in bankruptcies observed over the four quarters ending in the second quarter of 2004 may well foreshadow a drop-off in bankruptcies during 2004 and through 2005.

Maine's small institutions maintain profitability from a boost in noninterest income.

- Third quarter profitability improved slightly for Maine's small insured institutions (assets less than $1 billion); however, a slow but steady trend of declining profitability is apparent over a longer period (See Chart 4). The 0.95 percent return on assets (ROA) was assisted by improved asset yields and funding costs remained steady which helped the net interest margins (NIMs) overall. The small institutions also posted higher noninterest income to boost profitability as high concentrations of mortgage loans continues to affect profitability when compared to other small institutions nationally).

- Residential mortgage loans account for 53 percent of total loans in Maine's small institutions compared to 32 percent of total loans in small institutions nationwide. As interest rates dropped in the last several years, borrowers refinanced into lower fixed-rate loans. These loans will continue to affect profitability as insured institutions will not have the ability to reprice these assets as funding costs increase when interest rates rise.

Number of banking offices is declining in Maine.

- Insured banking institutions operated 505 offices in Maine as of June 30, 2004. This represents a decline from 518 offices in 2001 as industry consolidation continues to slightly reduce the number of banking offices in the state (See Chart 5).

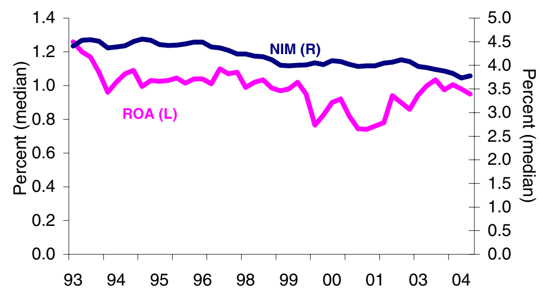
- With only 20 percent of total deposits controlled by out-of-state institutions as of June 30, 2004, Maine is still served primarily by locally based institutions. However, prior to 1997, virtually no banking offices were operated by out-of-state institutions.

Loan growth is strong in Maine as insured institutions expand commercial real estate loan portfolios.

- Maine's insured institutions continued to experience strong loan growth through the third quarter of 2004. The median growth rate for total loans was just over 12 percent as of September 30, 2004. Commercial and industrial (C&I) loan growth slowed in the third quarter while commercial real estate (CRE) loan growth remained strong (See Chart 6).

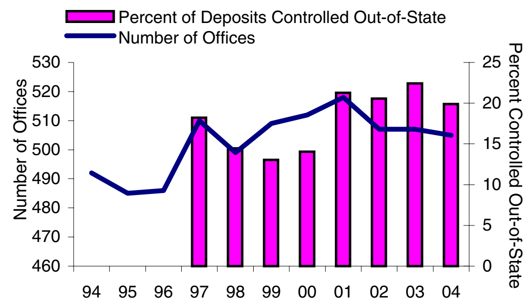
- In the low interest rate environment, growth of single family residential mortgage loans remains relatively strong with a median growth rate of nine percent as of September 30, 2004. Construction loan growth continued to be robust with a median growth rate of 32 percent during the same time frame.

Chart 4: Small Maine Institutions See Slight Decline in Earnings After Rebounding in 2001



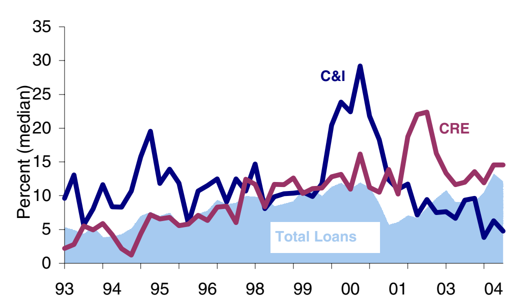
Note: Data as of September 30, 2004. Institutions with assets less than $1 billion. Source: FDIC

Chart 5: The Number of Banking Offices Is Declining as Out-of-State Ownership Slows



Note: Data as of June 30th.
Source: FDIC

Chart 6: Insured Institutions in Maine Post Strong Loan Growth while C&I Loan Growth Slows



Note: Data as of September 30, 2004.
Source: FDIC

Maine at a Glance

General Information	Sep-04	Sep-03	Sep-02	Sep-01	Sep-01
Institutions (#)	40	40	39	39	42
Total Assets (in thousands)	44,829,604	39,235,614	35,224,812	15,918,282	16,544,519
New Institutions (# < 3 years)	1	1	0	0	0
New Institutions (# < 9 years)	1	2	1	2	3

Capital	Sep-04	Sep-03	Sep-02	Sep-01	Sep-01
Tier 1 Leverage (median)	9.17	9.21	8.61	9.14	9.05

Asset Quality	Sep-04	Sep-03	Sep-02	Sep-01	Sep-01
Past-Due and Nonaccrual (median %)	1.02%	1.28%	1.74%	2.01%	1.68%
Past-Due and Nonaccrual >= 5%	1	2	1	1	2
ALLL/Total Loans (median %)	1.15%	1.17%	1.14%	1.17%	1.14%
ALLL/Noncurrent Loans (median multiple)	2.54	2.55	1.66	1.24	1.58
Net Loan Losses/Loans (aggregate)	0.15%	0.19%	0.24%	0.20%	0.20%

Earnings (Year-to-Date Annualized)	Sep-04	Sep-03	Sep-02	Sep-01	Sep-01
Unprofitable Institutions (#)	1	1	1	0	0
Percent Unprofitable	2.50%	2.50%	2.56%	0.00%	0.00%
Return on Assets (median %)	0.94	1.04	0.90	0.74	0.91
25th Percentile	0.64	0.78	0.63	0.47	0.67
Net Interest Margin (median %)	3.80%	3.94%	4.13%	3.87%	4.09%
Yield on Earning Assets (median)	5.48%	5.89%	6.73%	7.80%	8.03%
Cost of Funding Earning Assets (median)	1.73%	2.05%	2.68%	3.99%	4.11%
Provisions to Avg. Assets (median)	0.08%	0.12%	0.14%	0.16%	0.11%
Noninterest Income to Avg. Assets (median)	0.69%	0.71%	0.65%	0.60%	0.54%
Overhead to Avg. Assets (median)	2.92%	3.04%	2.98%	3.05%	3.01%

Liquidity/Sensitivity	Sep-04	Sep-03	Sep-02	Sep-01	Sep-01
Loans to Deposits (median %)	102.78%	95.42%	89.87%	94.14%	94.63%
Loans to Assets (median %)	73.90%	71.73%	69.17%	71.57%	72.11%
Brokered Deposits (# of Institutions)	17	16	11	10	9
Bro. Deps./Assets (median for above inst.)	3.02%	2.30%	3.23%	2.98%	3.08%
Noncore Funding to Assets (median)	26.76%	21.88%	22.21%	21.20%	20.75%
Core Funding to Assets (median)	61.24%	65.64%	67.49%	68.12%	68.22%

Bank Class	Sep-04	Sep-03	Sep-02	Sep-01	Sep-01
State Nonmember	8	8	7	7	7
National	6	6	6	6	6
State Member	4	3	2	2	3
S&L	7	7	7	7	7
Savings Bank	1	2	2	2	3
Stock and Mutual SB	14	14	15	15	16

MSA Distribution	# of Inst.	Assets	% Inst.	% Assets
No MSA	29	10,989,115	72.50%	24.51%
Portland ME	4	29,920,450	10.00%	66.74%
Lewiston-Auburn ME	4	1,304,198	10.00%	2.91%
Bangor ME	3	2,615,841	7.50%	5.84%